



CITY OF NEW ORLEANS

**2011 Tax Fairness Commission—
Final Report**
February 25, 2016



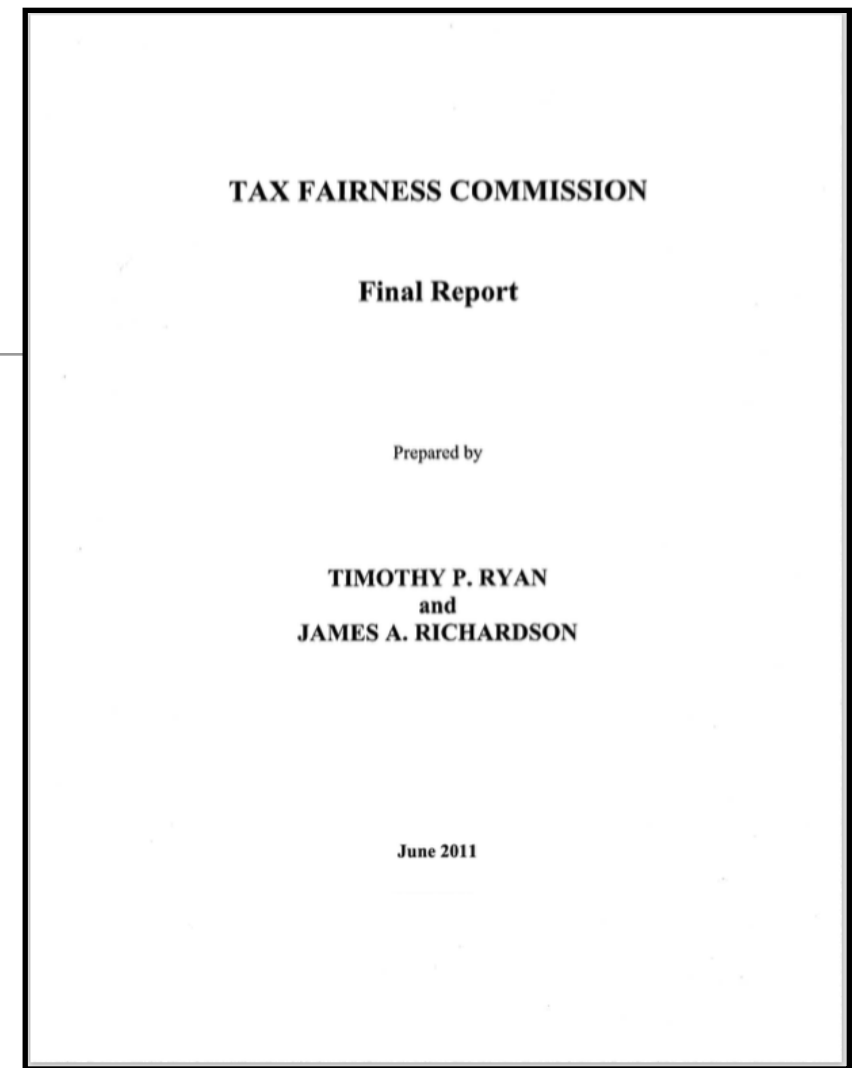
2011 Tax Fairness Commission

- Report prepared by Dr Tim Ryan and Dr Jim Richardson
- Recommendations made by Commission
- Chaired by Mary Zervigon and Toni Hackett Antrum
 - Damon Burns • Donna Fraiche
 - Larry Kullman • Jay Lapeyre
 - Darren Mire • Charles Rice
 - Robert Steeg • Diana Bajoie



Report overview

- How New Orleans raises revenue, through taxes and non-taxes
 - 1. The fairness and equity of the tax system.
 - 2. The economic competitiveness of the tax system.
 - 3. The stability and adequacy of the tax system.
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- Focus of today's summary is on the current set of taxes affect residents, whether homeowners or renters, businesses, and visitors.
 - Full report develops scenarios of various changes in tax rates and how changes would impact different groups and income ranges.



Report overview

- Commission looked at the major sources of tax revenue for the City of New Orleans
 - ad valorem property tax,
 - retail sales tax including the sales tax on hotel and motel rooms,
 - sanitation fee levied on each parcel of property in the City.
- what happens if homestead exemption changed, or certain currently tax exempt properties were to pay taxes
- In all cases, we examined the estimated impact of any tax structure on households in different income categories; on businesses in the city that are important for job creation; for the presently exempt properties such as nonprofit institutions and various governmental agencies; and, in New Orleans, given its tourist base, out-of-town visitors.



Income Distribution, 2011 estimate, New Orleans

Income Categories	New Orleans	United States
\$0 to \$24,999	36.0%	25.0%
\$25,000 to \$49,999	25.5%	25.2%
\$50,000 to \$74,999	14.3%	18.1%
\$75,000 to \$99,999	8.1%	11.5%
\$100,000 to \$149,999	7.2%	11.9%
\$150,000 to \$199,999	5.6%	4.4%
\$200,000 and above	3.2%	3.8%



Overview of tax structure in 2011 – City GF

Revenue type	\$2011 forecast	2011 forecast share	2016 proposed share
Sales Taxes	145,046,603	29.7%	33.9%
Property Taxes	108,475,191	22.2%	21.5%
Other Taxes	21,981,160	4.5%	3.7%
Service Charges	69,548,965	14.2%	14.4%
Licenses and Permits	63,433,534	13.0%	10.1%
Fines and Forfeitures	36,529,870	7.5%	6.4%
Other Sources of Finances	22,807,199	4.7%	5.9%
Miscellaneous Revenue	11,274,701	2.3%	1.8%
Intergovernmental Revenue	9,273,442	1.9%	2.2%
Total GF	488,370,665	100.0%	100.0%



Sales tax base, 2011 estimate, New Orleans

Sales Tax Source	Sales Tax Base, 2011	Sales Tax Base, 2016	Change
Sales Tax Base	\$5,104,587,273	7,204,978,520	41%
Hotel/Motel Tax Base	\$719,564,009	1,122,615,000	56%
Auto Tax Base	\$311,736,257	494,000,000	58%
Total Sales Tax Base	\$6,135,887,539	\$8,821,593,520	44%



Orleans Parish Property Assessed Value, 2011

Type of Property	Number of Properties	Assessed Value	% of Total
Total Commercial/Industrial Property	7,107	\$667,861,480	17.0%
Total Government Property	8,564	\$847,569,150	21.6%
Total Non-Profit Property	6,345	\$474,602,710	12.1%
Total Residential Property	144,367	\$1,936,720,910	49.3%
Total	166,383	\$3,926,754,250	100%



Orleans Parish millage rates, 2011

Property Tax:	2011 millage	Note
General Purpose Millage	13.91	
P&I of City Bonds (Board of Liquidation)	25.50	
Drainage System (S&WB)	16.43	
Police and Fire Special Millage	6.40	
Audubon Zoo	0.32	
Audubon Aquarium	2.99	
Public Library	3.14	+2.5
Police Protection (No HE)	5.26	
Fire Protection (No HE)	5.21	
Neighborhood Housing Improvement	0.91	
New Orleans Economic Development	0.91	
Parks and Parkways Commission	1.50	
<i>NORDC</i>	<i>1.50</i>	
Street and Traffic Control	1.90	
Capital Improvements	1.82	
City Services	1.19	
Orleans Law Enforcement District	2.90	2.80
NOPS	44.12	
Levee Board (average of two)	12.22	*

Analysis overview

- Data on income distribution was combined with
 - Owner vs renter statistics
 - Home values and average rents
 - Spending on goods and services (and thus sales tax paid)
 - Business and traveller spending patterns
- To develop a model to estimate the impact on various people of changes in tax policy

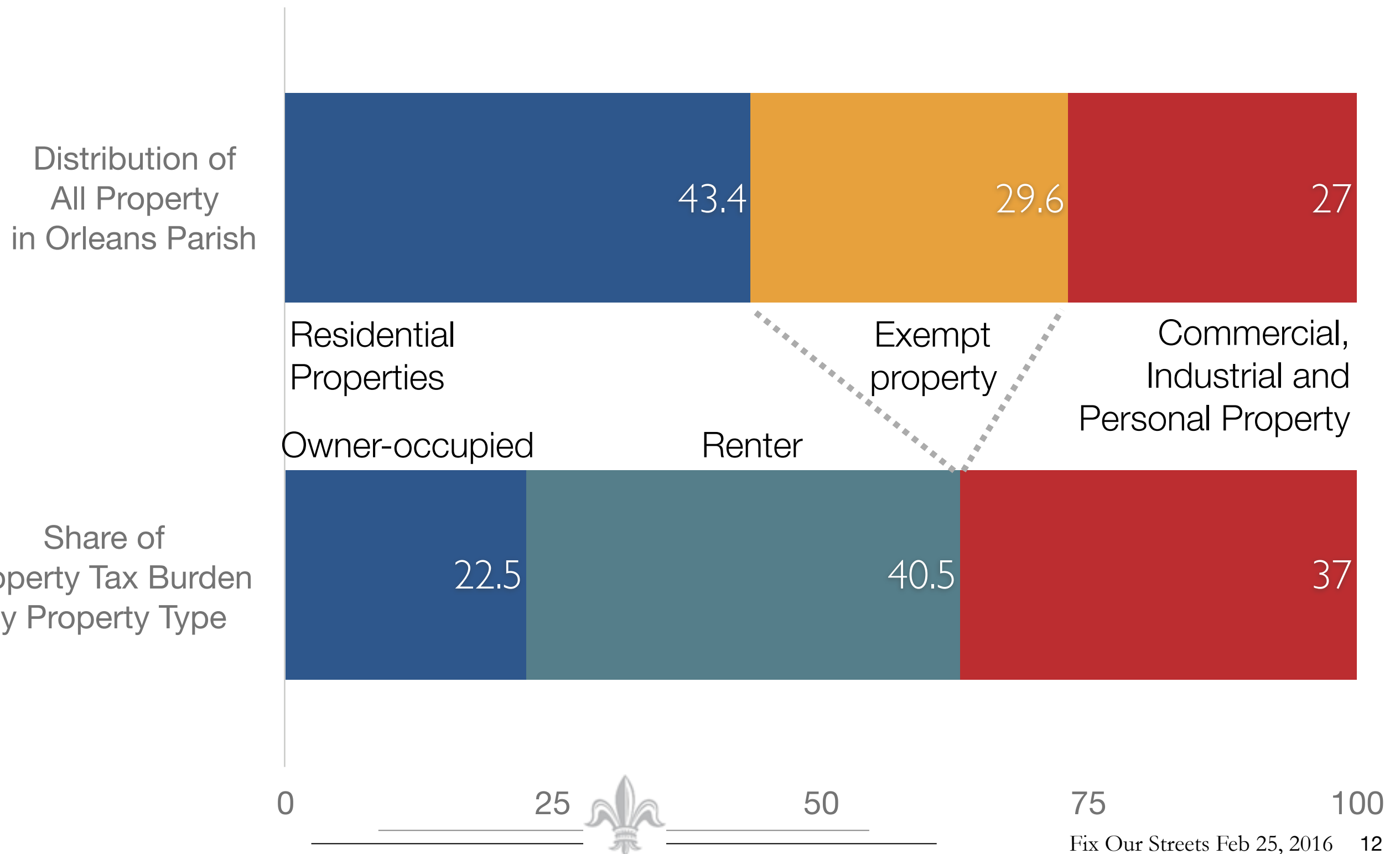


Estimated tax burden of local sales tax, 2011

Group bearing sales tax burden	Estimated percent of local sales tax paid		Observations
	Hotel/motel tax borne by visitors	Hotel/motel tax borne by Local Hotels	
New Orleans Residents	30.0%	30.0%	Based on U.S. Consumer Expenditure Survey-percent of income spent on taxable commodities and services
New Orleans Businesses	30.0%	34.0%	Based on State estimates of Sales Taxes Paid by Louisiana Businesses
Tourists to New Orleans	40.0%	36.0%	Based on estimated 8 million tourists visiting New Orleans

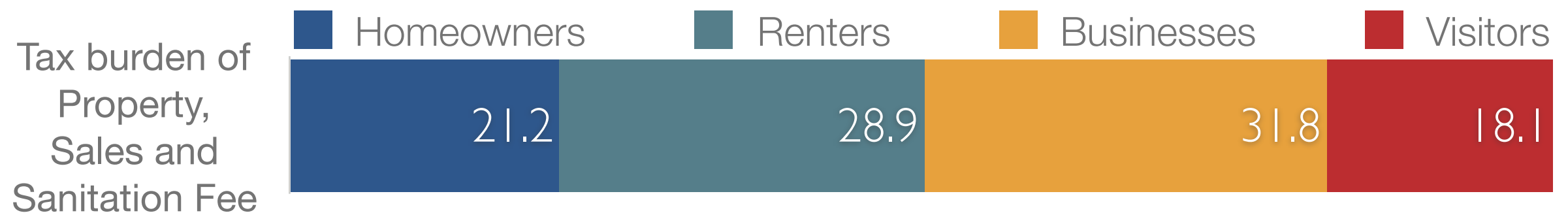


Property tax burden estimated, 2011, percentages



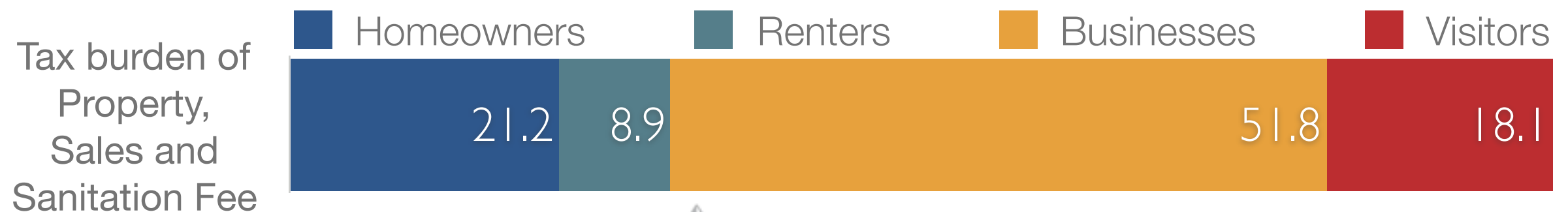
Overall burden of current tax structure, 2011

Tenants pay Property tax...



....or,

Property tax on rentals absorbed by landowners



General conclusions from tax change scenarios

- *First, it is nigh impossible to put together a municipal tax structure that does not disproportionately affect lower income households.*
- *Second, the issue then becomes how to mitigate the impact on lower income households in an urban setting such as New Orleans.*
- *Some anomalies: Low-income homeowners have a definite local tax advantage compared to low-income renters. [Homestead exemption].*
- *The amount of land that is not taxed because it is governmental or nonprofit in nature creates a burden on other taxpayers in the city, including individual households and businesses.*

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Tax Fairness Commission Recommendations

- Constitutional amendment to redefine and narrow tax-exempt property
- Constitutional amendment to allow more local control for exemptions
- Constitutional amendment to address court rulings regarding commercial use of property by nonprofits
- Homestead exemption's impact on local government not offset by Revenue Sharing
- Industrial Development Board's exemptions should be more limited
- Assessor: make assessments uniform, consistent, fair and transparent
- City: communicate permit information to Assessor, audit more taxes, share data, combat fraud
- If goal is to reduce millages or raise revenue, increase sales tax and/or graduated parcel fee with mitigation for low income and possibly offset for property taxes paid.

